

IVINS CITY, UTAH  
FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION  
with  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED JUNE 30, 2005

# IVINS CITY, UTAH

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## **FINANCIAL SECTION**

# Wilson & Company

Certified Public Accountants / A Professional Corporation

## INDEPENDENT AUDITOR'S REPORT

The Honorable City Council

Ivins City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ivins City, Utah as of and for the year ended June 30, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ivins City, Utah as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006, on our consideration of Ivins City, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents and budgetary comparison information on page 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ivins City, Utah's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Ivins City, Utah. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Wilson & Company*

WILSON & COMPANY  
Certified Public Accountants

January 20, 2006  
Cedar City, Utah

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the financial activities of Ivins City is presented for readers of Ivins City's financial statements for the fiscal year ended June 30, 2005. This section is intended to be read in conjunction with the City's financial statements, which follow this section.

### **Financial Highlights/Executive Summary**

- The assets of Ivins City exceeded its liabilities at the close of fiscal year 2005 by \$23,039,857 (net assets). Of this amount, \$3,763,853 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors (refer to table entitled IVINS CITY'S NET ASSETS).
- As of the close of the current fiscal year, Ivins City's governmental funds reported combined ending fund balances of \$1,971,160. Approximately 29% of this total amount, \$565,791, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$565,791, or 22%, of total general fund expenditures.
- Ivins City's total liabilities increased by \$494,442 during the current fiscal year. The key factor for this increase was the amount due to other governmental agencies.
- At the end of the current fiscal year, Ivins City's general fund actual expenditures exceeded general fund actual revenue by \$89,570.

### **Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to Ivins City's basic financial statements. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more *detail* than the government-wide statements:
  - The *government funds* statements tell how *general* government services like public safety, administration, building inspection, etc. were financed in the short term as well as what remains for future spending.
  - *Proprietary fund* statements offer short and long-term financial information about the activities the government operates *like businesses*. Ivins City, utilizing two proprietary funds, manages two business activities: water and sewer.
  - *Fiduciary fund* statements provide information about funds held in trust for the benefit of individuals. Ivins City utilizes a fiduciary fund for the maintenance of the cemetery. These funds are not reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Government-wide Statements.** The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets- the difference between the City's assets and liabilities- is one way to measure the city's financial health, or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To access the overall health of the City, consideration should be given to additional non-financial factors, such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the city are divided into two categories:

- *Governmental activities*-Most of the City's basic services are included here, such as public safety, public works, parks department and general administration. Property taxes, sales taxes, franchise fees and state and federal grants finance most of these activities.
- *Business-type activities*-The City charges fees to customers to help it cover the costs of services it provides. The City's water, sewer, and storm drain activities are included here.

**Fund Financial Statements.** The fund financial statements provide more detailed information about the City's most significant *funds*--not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding (revenues) and spending (expenditures) for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes (like the City's special impact fee funds used to track collection and expenditure of certain impact fees).

The City has two kinds of funds:

- *Governmental funds*-Most of the City's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the City's *enterprise funds* are the same as



its business-type activities, but provide more detail and additional information, such as cash flows.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Ivins City, assets exceed liabilities by \$23,039,857 at the close of fiscal year 2005.

By far the largest portion of Ivins City's net assets (68%) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt used to acquire those assets that is still outstanding. Ivins City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Ivins City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### Percentages of Net Assets

Net Assets	Government Activity	Business-type Activity	Total
Invested in capital assets, net of related debt	76.90%	62.94%	67.92%
Restricted net assets	18.49%	14.21%	15.74%
Unrestricted net assets	4.61%	22.85%	16.34%
Total net assets	100.00%	100.00%	100.00%

#### Ivins City's Net Assets

	Governmental Activities		Business-type Activities	
	6/30/2005	6/30/2004	6/30/2005	6/30/2004
Current and other assets	\$ 3,134,649	\$ 1,898,664	\$ 5,994,433	\$ 5,311,671
Capital assets	8,158,333	7,141,642	10,516,598	9,894,719
Total Assets	11,292,982	9,040,306	16,511,031	15,206,390
Long-term liabilities outstanding	1,828,000	2,069,909	1,197,126	1,535,882
Other liabilities	1,233,213	254,803	505,817	409,119
Total Liabilities	3,061,213	2,324,712	1,702,943	1,945,001
Net Assets:				
Invested in capital assets, net of debt	6,330,333	5,049,230	9,319,471	8,335,836
Restricted net assets	1,521,776	1,458,978	2,104,424	1,864,937
Unrestricted net assets	379,660	207,386	3,384,193	3,060,616
Total Net Assets	\$ 8,231,769	\$ 6,715,594	\$ 14,808,088	\$ 13,261,389

At the end of the current fiscal year, Ivins City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate government and business-type activities.

**Governmental activities.** Governmental activities increased Ivins City's net assets by \$1,516,175.

## Ivins City's Changes in Net Assets

For the fiscal year ended June 30, 2005

	Governmental Activities		Business-type Activities		Total	Total
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	771,480	986,491	1,662,113	1,756,004	2,433,593	2,742,495
Operating grants/transfers	177,396	371,116	-	-	177,396	371,116
Capital grants/contributions	2,136,727	-	2,094,441	1,147,350	4,231,168	1,147,350
<b>General Revenue:</b>						
Property taxes	516,942	514,475	-	-	516,942	514,475
General sales and use taxes	539,079	492,183			539,079	492,183
Franchise taxes	295,742	221,983			295,742	221,983
Earnings on investments	129,286	51,810	74,506	63,870	203,792	115,680
Miscellaneous	9,163	-			9,163	-
Operating Transfers	101,036	(15,661)	(101,036)	15,661	-	-
<b>Total Revenues</b>	<b>4,676,851</b>	<b>2,622,397</b>	<b>3,730,024</b>	<b>2,982,885</b>	<b>8,406,875</b>	<b>5,605,282</b>
<b>Expenses:</b>						
General government	820,143	477,995			820,143	477,995
Public safety	894,612	561,569			894,612	561,569
Highways/public improve	869,140	452,150			869,140	452,150
Parks, recreation, public pro	294,973	187,626			294,973	187,626
Community/econ developme	125,590	105,915			125,590	105,915
Interest on long-term debt	156,218				156,218	
Water fund			1,368,022	1,114,696	1,368,022	1,114,696
Sewer			815,304	765,372	815,304	765,372
<b>Total Expenses</b>	<b>3,160,676</b>	<b>1,785,255</b>	<b>2,183,326</b>	<b>1,880,068</b>	<b>5,344,002</b>	<b>3,665,323</b>
<b>Increase in net assets</b>	<b>1,516,175</b>	<b>837,142</b>	<b>1,546,698</b>	<b>1,102,817</b>	<b>3,062,873</b>	<b>1,939,959</b>

### Financial Analysis of the Government's Funds

As noted earlier, Ivins City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Government funds.** The focus of Ivins City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Ivins City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Ivins City's general government funds reported an ending fund balance of \$1,971,160, an increase of \$280,480 in comparison with the prior year. A portion (\$565,791 or 29%) of the fund balance constitutes *unreserved/undesignated* fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is *reserved and designated for future year expenditures* (\$1,405,368 or 71%). The reserved fund balance indicates that the balance is not available for new spending because it has already been committed. In this case the balance is committed to general obligation bonds and future road projects.

The general fund is the chief operating fund of Ivins City. At the end of the current fiscal year, *unreserved/undesignated* fund balance of the general fund was \$565,791. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 23% of total general fund expenditures.

Other governmental funds (includes special impact fee funds for Streets, Parks, Habitat, Public Safety, and Storm Drain) have a total fund balance of \$1,405,368 all of which is reserved for the procurement of impact fee and debt service related items.

**Proprietary funds.** Ivins City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for Water and Sewer utilities at the end of the year totaled \$3,384,193. Additionally, both enterprise funds experienced increases in total net assets at the end of the year.

#### **General Fund Budgetary Highlights**

The general fund budget was amended in June to reduce unspent budgeted funds and increase allocations to the Capital Projects funds for future capital improvements including:

- Purchase of playground equipment for UNITY park
- Road improvements
- Roundabout project

In addition, grants for fire and law enforcement equipment and salaries were received after the budget was adopted and expenditures for fire and law enforcement were adjusted accordingly.

During the year expenditures exceeded revenues by \$89,570. Revenue budgetary estimates exceeded actual revenue and expenditures were less than budgetary estimates.

#### **Capital Asset and Debt Administration**

**Capital assets.** Ivins City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$18,611,208 (net of accumulated depreciation). This investment in capital assets includes water stock, land, buildings, improvements, infrastructure (roads, water lines, sewer lines), autos and trucks, machinery and equipment, office and work in progress.

## Ivins City's Net Capital Assets

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Construction in Progress	\$ -	\$ -	\$ 63,723	\$ 10,000
Land, easements, water rights	1,146,964	1,146,964	1,400,137	1,400,137
Buildings	581,180	605,819	178,129	184,040
Improvements other than bldgs	322,436	344,045	-	-
Infrastructure assets	5,869,006	4,816,425	8,765,985	8,164,401
Machinery & Equipment	99,228	44,982	95,959	130,475
Automobiles & Trucks	139,519	183,408	12,665	5,666
Increase in net assets	<u>\$ 8,158,333</u>	<u>\$ 7,141,643</u>	<u>\$ 10,516,598</u>	<u>\$ 9,894,719</u>

This year's major capital asset additions included:

- Roundabout landscaping
- Welcome of Ivins entry sign
- Park improvements
- Dedication of numerous public roads within new subdivision developments

**Long-term debt.** At year-end the City had \$3,025,126 in bonds and notes outstanding—a decrease of 17% over the last year—as shown in the table entitled *IVINS CITY'S OUTSTANDING DEBT*. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

### General Obligation and Revenue Bonds

	Govnmntl. Activities		Business-type Activities	
	2005	2004	2005	2004
General Obligation Bond	1,828,000	2,050,000	-	-
Capital Lease	-	19,909	78,977	97,500
Revenue Bonds	-	-	1,118,149	1,438,382
Total	<u>\$1,828,000</u>	<u>\$2,069,909</u>	<u>\$1,197,126</u>	<u>\$1,535,882</u>

### Economic Factors and Next Year's Budgets and Rates

- For the 12 month period ending March 2003, the Bureau of Labor Statistics of the U.S. Department of Labor reported that the CPI-U at 2.8%; whereas, for the 12 month period ending February 2004, the Bureau of Labor Statistics of the U.S. Department of Labor reported that the CPI-U at 1.8%.
- The property tax levy for FY 2004-2005 was .001413 mills, below the average of .001607 in Washington County.
- Population growth, as measured by building permit issuance, was 8.8%.
- City issued 186 building permits in fiscal year ending 6/30/05.

These indicators were taken into account when adopting the FY 2004-2005 budget.

The benefit package for employees was revised in FY 2004 and the cost of benefits was capped at approximately \$700 per month per employee. A legal department was created and staffed with a City Attorney, and the budget for year ending 2005 included one additional Public Safety Officer and full-time clerical staff for the Public Safety Department. A full-time clerical staff person was added to the Building and Zoning Department. It was determined that the most efficient way to handle Justice Court services was to contract with Washington County and reduced expenses will be realized in future year budgets.

The budget for year ending 2005 contained no property tax increase.

The following debt related action was approved by the City Council in 2004-2005:

- The City refunded its 1996 General Obligation bonds.

In the forthcoming year, the City will also be required to fund several state and federal unfunded mandates that include:

- **Storm Water Management Plan (SWMP):** The Environmental Protection Agency (EPA) promulgated storm water regulations referred to as the National Pollution Discharge Elimination System (NPDES). This will require the City to develop a SWMP and implement a storm water utility fee to fund the SWMP.
- **Arsenic Mandate:** The EPA requires Cities to meet newly adopted arsenic mandates of 10 parts per million by 2006. The City will work with water providers to meet these requirements.
- **Water Vulnerability Assessment:** The Home Land Security Act adopted by the Federal Government after 9/11 requires local governments to develop plans to protect critical elements of their water and power infrastructure. The plans are required to be completed by June 2004.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Ivins City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Judy Gubler, Ivins City Manager, 55 North Main, Ivins City, Utah, 84738 or via e-mail [judy@ivins.com](mailto:judy@ivins.com).

## **BASIC FINANCIAL STATEMENTS**

**IVINS CITY, UTAH**  
**Statement of Net Assets**  
June 30, 2005

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash & cash equivalents	\$ 2,301,330	\$ 5,571,806	\$ 7,873,136
Accounts receivable	292,456	172,257	464,713
Property tax receivable	540,863		540,863
Due from other governmental agencies		92,187	92,187
Deferred charges		158,184	158,184
Construction in progress	-	63,723	63,723
Capital assets, net of accumulated depreciation	8,158,333	10,452,875	18,611,208
Total assets	<u>11,292,982</u>	<u>16,511,031</u>	<u>27,804,013</u>
<b>Liabilities and Net Assets</b>			
Liabilities :			
Accounts payable	255,243		255,243
Accrued liabilities	70,396		70,396
Customer deposits payable	77,700		77,700
Deferred revenue	219,288		219,288
Compensated absences payable	54,759	13,684	68,443
Accrued interest payable	14,964	11,716	26,680
Due to other governmental agencies		480,417	480,417
Capital lease obligations payable - current		18,751	18,751
Capital lease obligations payable - long term		60,226	60,226
Deferred revenue property tax receivable	540,863		540,863
Bonds payable			
Portion due within one year	240,000	336,881	576,881
Portion due after one year	1,588,000	781,268	2,369,268
Total liabilities	<u>3,061,213</u>	<u>1,702,943</u>	<u>4,764,155</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	6,330,333	9,319,471	15,649,804
Restricted for:			
Debt service	214,621	717,905	932,526
Other purposes	1,307,155	1,386,519	2,693,674
Unrestricted	379,660	3,384,193	3,763,853
Total net assets	<u>\$ 8,231,769</u>	<u>\$ 14,808,088</u>	<u>\$ 23,039,857</u>

The notes to the financial statements are an integral part of this statement.

**IVINS CITY, UTAH**  
**Statement of Activities**  
Year Ended June 30, 2005

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 820,143	\$ 676,875	\$ -	\$ 3,925	\$ (139,343)
Public safety	894,612	78,603	92,275	64,335	(659,399)
Highways & public improvements	869,140		84,751	1,689,640	905,251
Parks, recreation & public property	294,973	15,612		378,827	99,466
Community & economic development	125,590	390	370		(124,830)
Interest on long-term debt	156,218				(156,218)
Total governmental activities	3,160,675	771,480	177,396	2,136,727	(75,072)
Business-type activities:					
Water fund	1,368,022	1,060,522		1,280,031	972,530
Sewer fund	815,304	601,592		814,410	600,698
Total business-type activities	2,183,326	1,662,113	-	2,094,441	1,573,228
Total government	\$ 5,344,001	\$ 2,433,593	\$ 177,396	\$ 4,231,168	\$ 1,498,156

(Continued on page 12)



**IVINS CITY, UTAH**  
**Statement of Activities**  
Year Ended June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Changes in net assets</b>			
<b>Net (expense) revenue from previous page</b>	\$ (75,072)	\$ 1,573,228	\$ 1,498,156
<b>General revenues:</b>			
Taxes:			
Property taxes	516,942		516,942
General sales and use taxes	539,079		539,079
Franchise taxes	295,742		295,742
Earnings on investments	129,286	74,506	203,792
Miscellaneous	9,162		9,162
Operating transfers	101,036	(101,036)	-
<b>Total general revenues and transfers</b>	<u>1,591,247</u>	<u>(26,530)</u>	<u>1,564,717</u>
<b>Increase in net assets</b>	1,516,175	1,546,698	3,062,873
<b>Net assets - beginning</b>	6,715,594	13,261,390	19,976,984
<b>Net assets - ending</b>	<u>\$ 8,231,769</u>	<u>\$ 14,808,088</u>	<u>\$ 23,039,857</u>

The notes to the financial statements are an integral part of this statement.



## **FUND FINANCIAL STATEMENTS**

**IVINS CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash & cash equivalents	\$ 895,907	\$ 23,019	\$ 1,382,404	\$ 2,301,330
Accounts receivables	73,168	219,288		292,456
Total assets	<u>\$ 969,075</u>	<u>\$ 242,307</u>	<u>\$ 1,382,404</u>	<u>\$ 2,593,786</u>
<b>Liabilities:</b>				
Accounts payable	255,188		55	255,243
Accrued liabilities	70,396			70,396
Customer deposits	77,700			77,700
Deferred revenue		219,288		219,288
Total liabilities	<u>403,283</u>	<u>219,288</u>	<u>55</u>	<u>622,626</u>
<b>Fund balances:</b>				
Reserved		23,019	1,382,349	1,405,368
Unreserved, undesignated	565,791	-		565,791
Total fund balances	<u>565,791</u>	<u>23,019</u>	<u>1,382,349</u>	<u>1,971,160</u>
Total liabilities and fund balances	<u>\$ 969,075</u>	<u>\$ 242,307</u>	<u>\$ 1,382,404</u>	<u>\$ 2,593,786</u>

The notes to the financial statements are an integral part of this statement.

**IVINS CITY, UTAH**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2005**

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Amounts reported for governmental activities in the statement of net assets are different because:

<b>Total fund balance - governmental funds</b>	\$ 1,971,160
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$11,953,892 and the accumulated depreciation is \$3,795,559	8,158,333
Long-term obligations	(1,897,724)
<b>Total net assets - governmental activities</b>	<u><u>\$ 8,231,769</u></u>

The notes to the financial statements are an integral part of this statement.

**IVINS CITY, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property taxes	\$ 516,942	\$ -	\$ -	\$ 516,942
Sales and use taxes	539,079			539,079
Franchise taxes	295,742			295,742
Licenses and permits	360,981			360,981
Intergovernmental revenues	173,870			173,870
Charges for services	350,414			350,414
Fines and forfeitures	41,033			41,033
Interest earnings	65,513	34,716	29,056	129,286
Miscellaneous revenues	25,891	44,555	725,184	795,630
Total revenues	<u>2,369,464</u>	<u>79,271</u>	<u>754,240</u>	<u>3,202,976</u>
<b>EXPENDITURES:</b>				
General government	773,939	20,747	6,550	801,235
Public Safety	833,938			833,938
Highways & public improvements	200,760		363,762	564,522
Parks, Recreation & Public Property	314,846			314,846
Community & economic development	123,233			123,233
Debt service				
Principal paid		294,000		294,000
Interest paid		91,757		91,757
Total expenditures	<u>2,246,716</u>	<u>406,504</u>	<u>370,312</u>	<u>3,023,531</u>
Excess of revenues over (under) expenditures	<u>122,749</u>	<u>(327,233)</u>	<u>383,929</u>	<u>179,444</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond Proceeds		1,077,000		1,077,000
Bonds retired		(1,005,000)		(1,005,000)
Bond Issue Costs		(21,000)		(21,000)
Gain (loss) of bond refunding		(51,000)		(51,000)
Operating transfers in	65,400	301,793	315,439	682,632
Operating transfers out	(277,719)		(303,877)	(581,596)
Total other financing sources (uses)	<u>(212,319)</u>	<u>301,793</u>	<u>11,562</u>	<u>101,036</u>
Excess of revenues and other sources over (under) expenditures and other uses	(89,570)	(25,440)	395,491	280,480
FUND BALANCES JULY 1	655,362	48,459	986,859	1,690,679
FUND BALANCES JUNE 30	<u>\$ 565,791</u>	<u>\$ 23,019</u>	<u>\$ 1,382,349</u>	<u>\$ 1,971,159</u>

The notes to the financial statements are an integral part of this statement.

**IVINS CITY, UTAH**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2005**

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Amounts reported for governmental activities in the statement of activities are different because:

**Net change in fund balances-total governmental funds** **\$ 280,480**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	1,449,114	
Depreciation expense	<u>(432,423)</u>	
		1,016,691

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Bond proceeds	(1,077,000)	
Bonds retired	1,005,000	
Principal paid capital lease obligations	19,909	
Accrued interest on bonds payable	7,540	
Repayment of bond principal	<u>294,000</u>	
		249,449

Compensated absences		<u>(30,445)</u>
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<b>Change in net assets of governmental activities</b>		<b><u>\$ 1,516,175</u></b>
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**IVINS CITY, UTAH**  
**Statement of Net Assets**  
**Major Proprietary Funds**  
**June 30, 2005**

	Water Utility Fund	Storm Drain & Sewer Utility Fund	Total
<b>Assets</b>			
Current assets:			
Cash & cash equivalents	\$ 2,959,330	\$ 2,612,476	\$ 5,571,806
Accounts receivable (net of allowance)	129,841	42,416	172,257
Due from other governmental units	48,466	43,721	92,187
Deferred charges		158,184	158,184
Total current assets	<u>3,137,637</u>	<u>2,856,797</u>	<u>5,994,434</u>
Long-term assets:			
Construction in progress	53,723	10,000	63,723
Capital assets, net of accumulated depreciation	5,521,990	4,930,885	10,452,875
Total long-term assets	<u>5,575,712</u>	<u>4,940,885</u>	<u>10,516,598</u>
Total assets	<u>8,713,349</u>	<u>7,797,682</u>	<u>16,511,031</u>
<b>Liabilities and Net Assets</b>			
Liabilities :			
Current liabilities:			
Compensated Absences	10,263	3,421	13,684
Accrued Interest Payable		11,716	11,716
Due to other governmental units	258,617	221,800	480,417
Capital lease obligations payable due within one year		18,751	18,751
Bonds payable - Portion due within one year	13,000	323,881	336,881
Total current liabilities	<u>281,880</u>	<u>579,569</u>	<u>861,449</u>
Long-term liabilities:			
Capital lease obligations payable due after one year		60,226	60,226
Bonds payable - Portion due after one year	76,000	705,268	781,268
Total long-term liabilities	<u>76,000</u>	<u>765,494</u>	<u>841,494</u>
Total liabilities	<u>357,880</u>	<u>1,345,063</u>	<u>1,702,943</u>
Net assets:			
Invested in capital assets, net of related debt	5,486,712	3,832,759	9,319,471
Restricted for:			
Debt service	36,750	681,155	717,905
Other purposes	1,024,217	362,302	1,386,519
Unrestricted	1,807,790	1,576,403	3,384,193
Total net assets	<u>\$ 8,355,469</u>	<u>\$ 6,452,619</u>	<u>\$ 14,808,088</u>

The notes to the financial statements are an integral part of this statement.

**IVINS CITY, UTAH**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Major Proprietary Funds**  
**Year Ended June 30, 2005**

	<b>Water Utility Fund</b>	<b>Storm Drain &amp; Sewer Utility Fund</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for Services	\$ 1,016,552	\$ 653,702	\$ 1,670,254
Penalties	36,387		36,387
Miscellaneous	7,582	3,405	10,988
Total operating revenues	<u>1,060,522</u>	<u>657,107</u>	<u>1,717,628</u>
<b>Operating expenses:</b>			
Water purchased	637,669		637,669
Sewer treatment		327,869	327,869
Salaries & Wages	195,821	73,141	268,962
Employee Benefits	78,614	29,345	107,959
Operating Supplies and Materials	113,404	15,694	129,099
Professional and Technical services	20,379	58,407	78,786
Bad Debt Expense	2,264	382	2,646
Conferences & Travel	6,614	2,208	8,821
Insurance	3,404	3,795	7,199
Miscellaneous	3,305	60,576	63,881
Utilities	5,505	697	6,202
Repairs and maintenance	11,463	20,862	32,325
Depreciation	289,579	184,038	473,617
Total operating expenses	<u>1,368,022</u>	<u>777,014</u>	<u>2,145,036</u>
Operating income (loss)	(307,501)	(119,907)	(427,408)
<b>Nonoperating income (expense):</b>			
Interest Revenue	33,790	40,717	74,506
Impact Fees	543,052	197,458	740,510
Connection fees	175,095	81,550	256,645
Contributions	561,884	479,887	1,041,771
Interest Expenses		(38,289)	(38,289)
Total nonoperating income	<u>1,313,821</u>	<u>761,322</u>	<u>2,075,143</u>
Income (loss) before transfers	<u>1,006,320</u>	<u>641,415</u>	<u>1,647,734</u>
Transfer out	(49,500)	(51,536)	(101,036)
Change in net assets	956,820	589,879	1,546,698
<b>Net assets - beginning</b>	<u>7,398,650</u>	<u>5,862,741</u>	<u>13,261,390</u>
<b>Net assets - ending</b>	<u>\$ 8,355,469</u>	<u>\$ 6,452,619</u>	<u>\$ 14,808,088</u>

The notes to the financial statements are an integral part of this statement.



**IVINS CITY, UTAH**  
**Statement of Cash Flows**  
**Major Proprietary Funds**  
**Year Ended June 30, 2005**

	<u>Water Utility Fund</u>	<u>Storm Drain &amp; Sewer Utility Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,148,920	\$ 909,524	\$ 2,058,444
Cash payments to suppliers for goods and services	(875,242)	(603,322)	(1,478,564)
Cash payments to employees for services	(273,045)	(102,483)	(375,528)
Net cash provided (used) by operating activities	<u>633</u>	<u>203,719</u>	<u>204,352</u>
<b>Cash flows from noncapital financing activities:</b>			
Operating transfers from (to) other funds	(49,500)	(51,536)	(101,036)
Other cash received or (payments)	-	78,976	78,976
Net cash (used) by noncapital financing activities	<u>(49,500)</u>	<u>27,440</u>	<u>(22,060)</u>
<b>Cash flows from capital and related financing activities:</b>			
Cash received from impact and connection fees	718,147	279,008	997,155
Acquisition of capital assets	(53,722)	-	(53,722)
Interest paid on capital debt	-	(49,574)	(49,574)
Principal paid on capital debt	(13,000)	(404,733)	(417,733)
Net cash (used) by capital and related activities	<u>651,425</u>	<u>(175,299)</u>	<u>476,126</u>
<b>Cash flows from investing activities</b>			
Interest received	33,790	40,717	74,507
Net cash (used) by investing activities	<u>33,790</u>	<u>40,717</u>	<u>74,507</u>
Net increase in cash and cash equivalents	<u>636,348</u>	<u>96,577</u>	<u>732,925</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>2,322,982</u>	<u>2,515,899</u>	<u>4,838,881</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 2,959,330</u>	<u>\$ 2,612,476</u>	<u>\$ 5,571,806</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (307,501)	\$ (119,907)	\$ (427,408)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			-
Depreciation expense	289,579	184,038	473,617
Increase decrease accounts receivable	88,399	252,419	340,818
Increase decrease in accounts payable	(71,235)	(112,831)	(184,066)
Increase decrease in compensated absences	1,390		1,390
Increase in sales tax payable			-
Increase deposits payable			-
Total adjustments	<u>308,133</u>	<u>323,626</u>	<u>631,760</u>
Net cash provided (used) by operating activities	<u>\$ 633</u>	<u>\$ 203,719</u>	<u>\$ 204,352</u>

The notes to the financial statements are an integral part of this statement.

**IVINS CITY, UTAH**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
June 30, 2005

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	<u>Contractors Bonds Payable</u>	<u>Total</u>
<b>Assets</b>		
Current assets:		
Cash & cash equivalents	\$ 111,855	\$ 111,855
Total assets	<u>111,855</u>	<u>111,855</u>
<b>Liabilities and Net Assets</b>		
Liabilities :		
Due to others	\$ 111,855	111,855
Total liabilities	<u>111,855</u>	<u>111,855</u>
Net assets:		
Invested in capital assets		
Unrestricted		-
Total net assets	<u>\$ -</u>	<u>\$ -</u>

**IVINS CITY, UTAH**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**Year Ended June 30, 2005**

	<u>Net Assets at June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Assets at June 30, 2005</u>
<b>Assets:</b>				
Cash and investments	<u>\$      33,352</u>	<u>\$      28,250</u>	<u>\$     106,753</u>	<u>\$     111,855</u>
<b>Liabilities:</b>				
Due to others	<u>          33,352</u>	<u>          28,250</u>	<u>         106,753</u>	<u>         111,855</u>
Total liabilities	<u>\$      33,352</u>	<u>\$      28,250</u>	<u>\$     106,753</u>	<u>\$     111,855</u>

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of Ivins City, Utah have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

**A. Reporting Entity**

For financial reporting purposes, Ivins City, Utah has included all funds and account groups. The City has also considered all potential component units for which it is financially accountable and that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

Based on the above criteria, the City has included the financial statements of the Municipal Building Authority of Ivins City, Utah. A blended component unit, although a legally separate entity, is in substance, part of the City's operations.

**Blended Component Units:**

**Municipal Building Authority of Ivins City, Utah**

The Municipal Building Authority of Ivins City, Utah (the Authority) was formally created by Articles of Incorporation signed March 17, 2005 under the laws of the State of Utah including the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a, Utah Code Annotated 1953, as amended, and the Utah Municipal Building Authority Act, Title 17A, Chapter 3, Part 9, Utah Code Annotated 1953.

The Authority was formed for the purpose of accomplishing the public purposes for which Ivins City, Utah exists and to acquire, improve or extend one or more projects and to finance such projects on behalf of Ivins City, Utah.

The Authority is governed by a governing board which is comprised of all the members of the city council of Ivins City, Utah. Transactions of the Authority are blended into the audit report of Ivins City, Utah. No separate audit report is issued.

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C: Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Ivins City, Utah considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accumulates resources for the repayment of debt.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

The Storm Drain and Sewer Fund accounts for the activities of the City's sewer collection and storm drain system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D: Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5-10 Years

**Compensated Absences:**

For governmental funds, the amount of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds are recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. In accordance with GAAP, no liability or expense/expenditure is recorded for non-vesting accumulating rights to receive sick pay benefits.

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**E. Reconciliation of Government-Wide and Fund Financial Statements:**

- A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

**Capital related items:**

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 11,953,892
Accumulated depreciation	<u>(3,795,559)</u>
Total difference	<u><u>\$ 8,158,333</u></u>



**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Long-term liabilities:**

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Long-Term Liabilities	\$ ( 1,897,723)
Total Difference	<u>\$ ( 1,897,723)</u>

**B. Explanation of differences between governmental fund operating statements and the statement of net activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net differences, the elements of this difference are as follows:

Capital outlay	\$ 1,449,114
Depreciation expense	<u>( 432,423)</u>
Net difference as reported	<u>\$ 1,016,691</u>

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of bonds and related items is as follows:

Bond proceeds	(1,077,000)
Bonds retired	1,005,000
Principal paid capital lease obligations	19,909
Accrued interest on bonds payable	7,539
Repayment of bond principal	<u>294,000</u>
Net Difference	<u>249,448</u>

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**F: Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G: Property Tax:**

Washington County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

**H: Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore, all annual appropriations lapse at fiscal year end.

The City can make adjustments to the adopted budget through public hearings. During the fiscal year, the City made budget adjustments through public hearings the effects of which were material and are reflected in management's discussion and analysis.

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**I: Statement of Cash Flows:**

For the purpose of the Statement of Cash Flows, the Water, Sewer, Electric, and Irrigation Utility Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**NOTE 2: CASH AND INVESTMENTS**

The City maintains a cash and investment pool, which includes the cash account and several investments.

The City's deposit and investment policy is to follow the Utah Money Management Act. However, the City does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2005, the City had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ 203,958
State Treasurer's investment pool	<u>7,781,033</u>
	<u>\$ 7,984,991</u>

***Interest rate risk.*** The City manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

***Credit risk.*** As of June 30, 2005 the Utah Public Treasurer's Investment Fund was unrated.

***Concentration of credit Risk.*** The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 2: CASH AND INVESTMENTS - CONTINUED**

*Custodial credit risk - deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005 \$103,958 of the deposits was exposed to custodial credit risk because it was uninsured or uncollateralized.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2005, are as follows:

Cash on hand and on deposit:

Cash on deposit	\$ 203,958
Utah State Treasurer's investment pool account	<u>7,781,033</u>
Total cash and investments	\$ <u>7,984,991</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 7,873,136
Agency Funds	<u>111,855</u>
Total cash and investments	\$ <u>7,984,991</u>

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 3. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land & easements	\$ 1,146,964	\$	\$	\$ 1,146,964
Total capital assets, not being depreciated	<u>1,146,964</u>	<u>\$</u>	<u></u>	<u>1,146,964</u>
Capital assets, being depreciated:				
Buildings	803,425			803,425
Improvements	453,561			453,561
Infrastructure assets	7,377,901	1,345,336		8,723,237
Machinery & Equipment	134,682	73,503		208,185
Automobiles & trucks	588,246	30,274		618,520
Total capital assets, being depreciated	<u>9,357,815</u>	<u>1,449,113</u>	<u></u>	<u>10,806,928</u>
Accumulated depreciation for:				
Buildings	197,606	24,639		222,245
Improvements	109,515	21,610		131,125
Infrastructure assets	2,561,476	292,755		2,854,231
Machinery & Equipment	89,700	19,257		108,957
Automobiles & trucks	404,838	74,163		479,001
Total accumulated depreciation	<u>3,363,135</u>	<u>432,424</u>	<u></u>	<u>3,795,559</u>
Total capital assets, being depreciated,	<u>5,994,680</u>	<u>1,016,689</u>	<u></u>	<u>7,011,369</u>
Governmental activities capital assets, net	<u>\$ 7,141,644</u>	<u>\$ 1,016,689</u>	<u>\$</u>	<u>\$ 8,158,333</u>

**Business type activities:**

Capital assets, not being depreciated

Land & Water Rights	\$ 1,400,137	\$	\$	\$ 1,400,137
Construction in Progress		63,723		63,723
Total capital assets, not being depreciated	<u>1,400,137</u>	<u>63,723</u>	<u></u>	<u>1,463,860</u>

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 3. CAPITAL ASSETS - CONTINUED**

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated:				
Buildings & Structures	232,167			232,167
Improvements other than buildings	10,964,476	1,041,771		12,006,247
Machinery & Equipment	207,045			207,045
Automobiles & Trucks	92,901			92,901
Total capital assets, being depreciated	<u>11,496,589</u>	<u>1,041,771</u>		<u>12,538,360</u>
Accumulated depreciation for:				
Buildings	48,127	5,911		54,038
Improvements other than buildings	2,800,075	440,187		3,240,262
Machinery & Equipment	87,235	23,851		111,086
Automobiles & Trucks	76,570	3,666		80,236
Total accumulated depreciation	<u>3,012,007</u>	<u>473,615</u>		<u>3,485,622</u>
Total capital assets, being depreciated,	<u>8,484,582</u>	<u>568,156</u>		<u>9,052,738</u>
Business type activities capital assets, net	<u>\$ 9,884,719</u>	<u>\$ 631,879</u>	<u>\$</u>	<u>\$ 10,516,598</u>

Depreciation was charged to governmental activities functions as follows:

General government	\$ 19,239
Public Safety	81,469
Highways & Public Improvements	302,470
Parks, Recreation & Public Property	29,246
Total	<u>\$ 432,424</u>

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 4. LONG-TERM DEBT**

The following is a summary of Long-Term Debt transactions of the City for the year ended June 30, 2005:

Bond Issue	Interest Rate	Total Issued	Outstanding June 30, 2004	Matured During Year	Outstanding June 30, 2005
1996 G.O. Bond	4.9%-5.8%	\$2,000,000	\$ 1,145,000	\$ 1,145,000	\$
Excise Tax Revenue Bond	5.95%	948,000	635,000	91,000	544,000
SID Bonds - Series 1999	4.9%-5.4%	479,508	270,000	48,000	222,000
Sewer Rev. Bond 1991B	5.875%	697,000	590,382	29,233	561,149
Sewer Rev. Bond 1991A	0%	567,000	231,000	28,000	203,000
SID Bonds Series 1995	4.3%-5.9%	2,110,000	515,000	250,000	265,000
Water Rev. Bond Series 1992	0%	203,000	102,000	13,000	89,000
G.O. Refunding Bond -Series 2005	2.15%-3.5%	1,077,000		15,000	1,062,000
Total Revenue Bonds		<u>\$8,081,508</u>	<u>\$ 3,488,382</u>	<u>\$ 1,619,233</u>	<u>\$ 2,946,149</u>

The following is a summary of the City's Long-Term Debt by type at year end.

General Obligation Bonds	\$1,062,000
Revenue Bonds	853,149
Excise Tax Bonds	544,000
Special Assessment Bonds	<u>487,000</u>
	<u>\$ 2,946,149</u>

Water and sewer bonds constitute special obligations of the City and are solely secured by a lien on and pledge of the net revenues of the water and sewer systems. The revenue bonds are collateralized by the revenue of the water and sewer funds and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the systems is to be used first to pay operating and maintenance expenses and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose.

**Advanced Refunding:**

During the fiscal year ending June 30, 2005, the City effected an advanced refunding of the outstanding General Obligation Bonds-Series 1996. The advanced refunding was accomplished by the issuance of \$1,077,000 of General Obligation Refunding Bonds-Series 2005 dated January 10, 2005.

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

NOTE 4. LONG-TERM DEBT - CONTINUED

The General Obligation Bonds-Series 2005 defeased \$1,005,000 of the outstanding General Obligation Bonds-Series 1996. The transaction is considered to be an advanced refunding in that \$1,055,880 of the proceeds of the Series 2005 refunding bonds were placed in an irrevocable escrow held by the trust department of Wells Fargo Bank in sufficient amount to pay principal and interest on the Series 1996 bonds as they mature.

The General Obligation Refunding Bonds-Series 2005 bear interest of 2.15% to 3.5% with a net interest cost of 3.0868405% and a weighted average maturity of 3.751 years. The transaction resulted in a net present value benefit of \$34,362.

In accordance with generally accepted accounting principles concerning an advanced refunding, the defeased bonds and the refunding escrow are not reported by the City as part of its financial statements.

Bonds payable at June 30, 2005, is comprised of the following individual issues:

Excise Tax Revenue Bonds - Series 2000 dated May 1, 2000 payable in installments of \$16,000 to \$31,000 bearing interest of 5.95%	\$ 544,000
Special Assessment Bonds - Series 1999 for SID 98-1 payable in installments of \$37,508 to \$60,000 bearing interest of 4.9% to 5/4%	222,000
Sewer Revenue Bond - Series 1991B payable in monthly installments of \$3,810. The bonds bear interest of 5.875%	561,149
Sewer Revenue Bond - Series 1991A payable in installments of \$29,000. The bonds do not bear interest	203,000
Special Assessment Bonds payable in installments of \$170,000 to \$265,000 bearing interest of 4.3% to 5.9%	265,000
Water Revenue Bonds - Series 1992 payable in installments of \$6,000 to \$13,000. The bonds do not bear interest	89,000
General Obligation Refunding Bonds - Series 2005 payable in installments of \$15,000 to \$189,000 bearing interest of 2.15% to 3.5%	<u>1,062,000</u>
	\$ <u>2,946,149</u>



**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 4. LONG-TERM DEBT - CONTINUED:**

Long-Term Debt charges to maturity are as follows:

\$948,000 Excise Tax Revenue Bonds  
5.95%

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2006	\$ 97,000	\$ 30,226	\$ 127,226
2007	102,000	24,350	126,350
2008	108,000	18,162	126,162
2009	115,000	11,558	126,558
2010	122,000	45,667	167,667
Total	<u>\$ 544,000</u>	<u>\$ 129,963</u>	<u>\$ 673,963</u>

\$479,508 Special Assessment Bonds - Series 1999  
4.5% - 5.4%

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2006	\$ 51,000	\$ 11,544	\$ 62,544
2007	54,000	8,892	62,892
2008	57,000	6,084	63,084
2009	60,000	3,120	63,120
Total	<u>\$ 222,000</u>	<u>\$ 29,640</u>	<u>\$ 251,640</u>

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 4. LONG-TERM DEBT - CONTINUED:**

**\$697,000 Sewer Revenue Bonds - Series 1991 B**  
**5.875%**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2006	\$ 10,655	\$ 35,065	\$ 45,720
2007	11,298	34,422	45,720
2008	11,980	33,740	45,720
2009	12,703	33,017	45,720
2010	13,470	32,250	45,720
2011	14,282	31,438	45,720
2012	15,145	30,575	45,720
2013	16,059	29,661	45,720
2014	17,028	28,692	45,720
2015	18,056	27,664	45,720
2016	19,146	26,574	45,720
2017	20,302	25,418	45,720
2018	21,516	24,204	45,720
2019	22,826	22,894	45,720
2020	24,204	21,516	45,720
2021	25,665	20,055	45,720
2022	27,214	18,506	45,720
2023	28,856	16,864	45,720
2024	30,598	15,122	45,720
2025	32,445	13,275	45,720
2026	34,404	11,316	45,720
2027	36,479	9,241	45,720
2028	38,682	7,038	45,720
2029	41,016	4,704	45,720
2030	17,120	2,229	19,349
Total	<u>\$ 561,149</u>	<u>\$ 555,480</u>	<u>\$ 1,116,629</u>

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 4. LONG-TERM DEBT - CONTINUED:**

\$567,000 Sewer Revenue Bond - Series 1991 A  
0%

Year	Principal Amount	Interest Amount	Total Amount
2006	\$ 29,000	\$	\$ 29,000
2007	29,000		29,000
2008	29,000		29,000
2009	29,000		29,000
2010	29,000		29,000
2011	29,000		29,000
2012	29,000		29,000
Total	<u>\$ 203,000</u>	<u>\$</u>	<u>\$ 203,000</u>

\$2,110,000 Special Assessment Bonds - Series 1995  
4.3% - 5.9%

Year	Principal Amount	Interest Amount	Total Amount
2006	\$ 265,000	\$ 11,395	\$ 276,395
Total	<u>\$ 265,000</u>	<u>\$ 11,395</u>	<u>\$ 276,395</u>

\$203,000 Water Revenue Bonds - Series 1992  
0%

Year	Principal Amount	Interest Amount	Total Amount
2006	\$ 13,000	\$	\$ 13,000
2007	13,000		13,000
2008	13,000		13,000
2009	13,000		13,000
2010	13,000		13,000
2011	13,000		13,000
2012	11,000		11,000
Total	<u>\$ 89,000</u>	<u>\$</u>	<u>\$ 89,000</u>

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 4. LONG-TERM DEBT - CONTINUED:**

**\$1,077,000 General Obligation Refunding Bonds - Series 2005**  
**2.15% - 3.5%**

Year	Principal Amount	Interest Amount	Total Amount
2006	\$ 164,000	\$ 30,818	\$ 194,818
2007	171,000	27,046	198,046
2008	177,000	22,770	199,770
2009	178,000	17,902	195,902
2010	183,000	12,562	195,562
2011	189,000	6,616	195,616
Total	<u>\$ 1,062,000</u>	<u>\$ 117,714</u>	<u>\$ 1,179,714</u>

**NOTE 5. DEFINED BENEFIT PENSION PLAN**

**Plan Description:** Ivins City, Utah, contributes to the Local Governmental Noncontributory Retirement System which is part of the cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety and Firefighters Retirement Systems for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 So. Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

**Funding Policy:** In the Local Governmental Noncontributory Retirement System, Ivins City is required to contribute 11.09% of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage, Ivins City is required to contribute 19.08% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 5. DEFINED BENEFIT PENSION PLAN - CONTINUED**

Ivins City contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$76,455, \$57,115 and \$50,039 respectively and for the Public Safety Noncontributory Retirement System the Contributions for June 30, 2005, 2004 and 2003 were \$34,335, \$19,909 and \$8,009 respectively. The contributions were equal to the required contributions for each year.

**NOTE 6: RISK MANAGEMENT**

Ivins City is subject to various types of risk such as tort actions, theft, damage or destruction of assets by intent or acts of God, and job related illness or injury.

The City has procured commercial insurance coverage, which in the City's estimation, is adequate to reduce the risk of loss to a manageable level.

**NOTE 7: COMPONENTS OF RESERVED FUND BALANCE**

Governmental Funds:

General - Debt Service	\$ 23,019
Cemetery Perpetual Care	39,969
Capital Projects	551,996
Public Safety	206,624
Streets	155,824
Parks	412,286
Habitat	15,650
Total Governmental Funds	<u>\$ 1,405,368</u>

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 7: COMPONENTS OF RESERVED FUND BALANCE - CONTINUED**

Enterprise Funds:

Bond Sinking And Reserve Funds:

Water Revenue Bonds	\$ 36,750
Sewer Revenue Bonds	<u>681,155</u>
Total Revenue Bond Sinking and Reserve Funds	<u>717,905</u>

Impact Fees:

Water Impact Fees	1,024,217
Sewer and Storm Drain - Impact Fees	<u>362,302</u>
Total Impact Fees	<u>1,386,519</u>

Total Enterprise Funds:	<u><u>\$ 2,104,424</u></u>
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**NOTE 8: SUBSEQUENT EVENTS**

Subsequent to year end, the Municipal Building Authority of the City issued \$2,500,000 in Lease Revenue Bonds-Series 2005. The proceeds of the bonds will be used in the construction of a major parks and recreation complex.

The bonds bear interest of 3% with principal and interest payments beginning in April, 2007.

In conjunction with the issuance of the lease revenue bonds, the Municipal Building Authority executed a Master Lease Agreement with the City dated July 1, 2005. The lease payment schedule coincides with the debt service of the lease revenue bonds with payments beginning in 2007. Payments range from \$144,000 to \$143,050.

**NOTE 9: LITIGATION**

The City is involved in some matters of pending or threatened litigation involving various matters and is in the process of negotiating settlements or is being defended by its insurance company.

None of the matters appear to have significant financial consequences.

**IVINS CITY, UTAH**  
**NOTES TO FINANCIAL STATEMENT**  
June 30, 2005

**NOTE 10. CAPITAL LEASES:**

Ivins City has entered into capital lease agreements which require the following scheduled payments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 18,751	\$ 2,725	\$ 21,476
2007	19,398	2,078	21,476
2008	20,068	1,409	21,477
2009	<u>20,760</u>	<u>716</u>	<u>21,476</u>
Total	<u>\$ 78,977</u>	<u>\$ 6,928</u>	<u>\$ 85,905</u>
Enterprise Fund	<u>\$ 78,977</u>	<u>\$ 6,928</u>	<u>\$ 85,905</u>

Capitalized leases in the enterprise funds are depreciated over the useful life of the asset (see Note 1). Depreciation on capitalized leases is included with depreciation expense in the various enterprise funds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**(Unaudited)**



**IVINS CITY, UTAH**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
Budgetary fund balance, July 1	\$ 655,362	\$ 655,362	\$ 655,362	\$ -
Resources (inflows):				
Property taxes	574,000	529,532	516,942	(12,590)
Sales and use taxes	511,500	556,485	539,079	(17,406)
Franchise taxes	247,450	291,977	295,742	3,765
Licenses and permits	230,742	332,600	360,981	28,381
Intergovernmental revenues	374,923	314,728	173,870	(140,858)
Charges for services	324,628	335,808	350,414	14,606
Fines and forfeitures	36,000	45,800	41,033	(4,767)
Interest earnings	30,000	55,000	65,513	10,513
Miscellaneous revenues	32,000	26,716	25,891	(825)
Operating transfers in	65,400	65,900	65,400	(500)
Amounts available for appropriation	<u>3,082,005</u>	<u>3,209,908</u>	<u>3,090,226</u>	<u>(119,681)</u>
Charges to appropriations (outflows):				
General government				
Administrative services	303,760	278,225	276,045	2,180
General government	102,350	142,161	157,211	(15,050)
Legal	99,000	81,700	84,285	(2,585)
Sanitation	266,520	258,000	256,397	1,603
Public Safety				
Animal control	54,406	48,012	44,768	3,244
E.M.S	63,453	54,723	50,607	4,116
Fire protection	182,955	137,873	126,286	11,587
Building inspection	100,050	117,353	121,311	(3,958)
Judicial	61,085	55,464	48,664	6,800
Law enforcement	451,176	436,825	442,302	(5,477)
Highways & public improvements	220,250	203,654	200,760	2,894
Parks, Recreation & Public Property				
Cemetery	51,921	36,939	34,747	2,192
Parks & recreation	347,525	316,437	280,098	36,339
Community & economic development	129,743	109,461	123,233	(13,772)
Operating transfers out	<u>282,949</u>	<u>277,719</u>	<u>277,719</u>	<u>-</u>
Total charges to appropriations	<u>2,717,143</u>	<u>2,554,546</u>	<u>2,524,435</u>	<u>30,111</u>
Budgetary fund balance, June 30	<u>\$ 364,862</u>	<u>\$ 655,362</u>	<u>\$ 565,791</u>	<u>\$ (89,570)</u>

The notes to the financial statements are an integral part of this statement.

**COMBINING FINANCIAL  
STATEMENTS AND SCHEDULES**

**IVINS CITY, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2005

	Public Safety	Streets	Parks	Habitat	Storm Drain
<b>Assets:</b>					
Cash & cash equivalents	\$ 206,624	\$ 155,824	\$ 412,286	\$ 15,705	\$ -
Total assets	<u>\$ 206,624</u>	<u>\$ 155,824</u>	<u>\$ 412,286</u>	<u>\$ 15,705</u>	<u>\$ -</u>
<b>Liabilities:</b>					
Accounts payable				55	
Total liabilities				<u>55</u>	
<b>Fund balances:</b>					
Reserved	206,624	155,824	412,286	15,650	-
Unreserved, undesignated					
Total fund balances	<u>206,624</u>	<u>155,824</u>	<u>412,286</u>	<u>15,650</u>	
Total liabilities and fund balances	<u>\$ 206,624</u>	<u>\$ 155,824</u>	<u>\$ 412,286</u>	<u>\$ 15,705</u>	<u>\$ -</u>

**IVINS CITY, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2005

	Capital Projects	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>			
Cash & cash equivalents	\$ 551,996	\$ 39,969	\$ 1,382,404
Total assets	<u>\$ 551,996</u>	<u>\$ 39,969</u>	<u>\$ 1,382,404</u>
<b>Liabilities:</b>			
Accounts payable			55
Total liabilities			<u>55</u>
<b>Fund balances:</b>			
Reserved	551,996	39,969	1,382,349
Unreserved, undesignated			-
Total fund balances	<u>551,996</u>	<u>39,969</u>	<u>1,382,349</u>
Total liabilities and fund balances	<u>\$ 551,996</u>	<u>\$ 39,969</u>	<u>\$ 1,382,404</u>

# IVINS CITY, UTAH

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2005

	Public Safety	Streets	Parks	Habitat	Storm Drain
REVENUES:					
Interest earnings	\$ 5,630	\$ 9,002	\$ 8,845	\$ 2,625	\$ -
Miscellaneous revenues	64,335	206,358	378,827	3,925	-
Total Revenues	69,965	215,360	387,672	6,550	
EXPENDITURES:					
General government					
Highways & streets					
Sanitation					
Culture & recreation					
Capital outlay	6,003	45,815	18,906		
Total Expenditures	6,003	45,815	18,906		
Excess of Revenues over (under) Expenditures	63,962	169,545	368,766	6,550	
OTHER FINANCING SOURCES (USES):					
Debt proceeds					
Operating transfers in					41,638
Operating transfers out	(17,110)	(186,767)	(100,000)		
Sale of fixed assets					
Total Other Financing Sources (Uses)	(17,110)	(186,767)	(100,000)		41,638
Excess of revenues and other sources over (under) expenditures and other uses	46,852	(17,222)	268,766	6,550	41,638
FUND BALANCES JULY 1	159,772	173,046	143,520	9,100	(41,638)
FUND BALANCES JUNE 30	\$ 206,624	\$ 155,824	\$ 412,286	\$ 15,650	\$ -

# IVINS CITY, UTAH

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2005

	Capital Projects	Cemetery Perpetual Care Fund	Nonmajor Governmental Funds	Total
REVENUES:				
Interest earnings	\$ 1,899	\$ 1,055	\$ 29,056	
Miscellaneous revenues	65,889	5,850	725,184	
Total Revenues	<u>67,788</u>	<u>6,905</u>	<u>754,240</u>	
EXPENDITURES:				
General government		6,550	6,550	
Highways & streets				
Sanitation				
Culture & recreation				
Capital outlay	293,038		363,762	
Total Expenditures	<u>293,038</u>	<u>6,550</u>	<u>370,312</u>	
Excess of Revenues over (under) Expenditures	<u>(225,250)</u>	<u>355</u>	<u>383,929</u>	
OTHER FINANCING SOURCES (USES):				
Debt proceeds				
Operating transfers in	273,801		315,439	
Operating transfers out			(303,877)	
Sale of fixed assets				
Total Other Financing Sources (Uses)	<u>273,801</u>		<u>11,562</u>	
Excess of revenues and other sources over (under) expenditures and other uses	<u>48,552</u>	<u>355</u>	<u>395,491</u>	
FUND BALANCES JULY 1	503,444	39,614	986,859	
FUND BALANCES JUNE 30	<u>\$ 551,996</u>	<u>\$ 39,969</u>	<u>\$ 1,382,349</u>	

**IVINS CITY, UTAH**  
**OTHER SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2005**

**WATER BOND DISCLOSURES**

The Water System Revenue Bond Resolution sets forth certain covenants and restrictions. The City of Ivins is in compliance with all covenants and restrictions for the Water System Bond Requirements. Adequate funds are available in the water fund for reserve requirements.

Additional disclosures required by the Resolutions are:

	<u>Water</u>	<u>Sewer</u>
a. Number for connections within the boundaries of the City at June 30, 2005	2,307	2,254
b. Total billings for the fiscal year ended June 30, 2005	\$ 1,016,552	\$ 598,186

c. Water rates for fiscal year ended June 30, 2005 are as follows for a 3/4" meter:

Base Fee	\$18.00 per month
0 to 15, 000 gallons	\$1.04 per 1,000 gallons
15,001 to 30,000 gallons	\$1.46 per 1,000 gallons
Over 30,000 gallons	\$2.08 per 1,000 gallons

d. Monthly billing rate for sewer usage

\$23.00

e. Insurance coverage in effect at June 30, 2005:

<u>Type</u>	<u>Policy Number</u>	<u>Effective</u>	<u>Expires</u>	<u>Limits</u>
Coverage with Utah Local Governments Insurance Trust:				
General Liability	11910-GL239	12/1/1985	Continuous	\$5,000,000
Auto Liability	11910-GL239	12/1/1985	Continuous	\$5,000,000

Coverage with Unigard Insurance Group through Utah Local Governments Insurance Trust:

Automobile PD Coverage	BA900003	7/1/2004	7/1/2005	\$ 877,056
Property Coverage:				
Accidental				
Buildings	PX809764	7/1/2004	7/1/2005	\$1,933,682
Contents	PX809764	7/1/2004	7/1/2005	\$ 296,508
Contractors				
Equipment	PX809764	7/1/2004	7/1/2005	\$ 159,120
EDP	PX809764	7/1/2004	7/1/2005	\$ 90,000
Mobil Equipment	PX809764	7/1/2004	7/1/2005	\$ 245,900
Equipment in Open (Parks)	PX809764	7/1/2004	7/1/2005	\$ 129,342

Coverage with Travelers Casualty and Surety Company of America

Treasurer Bond	3F901356-06	11/30/1996	Continuous	\$ 401,000
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## **COMPLIANCE SECTION**



# *Wilson & Company*

Certified Public Accountants / A Professional Corporation

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable City Council  
Ivins City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ivins City, Utah as of and for the year ended June 30, 2005, which collectively comprise Ivins City, Utah's basic financial statements and have issued our report thereon dated January 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Ivins City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Ivins City, Utah in a separate letter dated January 25, 2006.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ivins City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly,

Ivins City, Utah

Page 2

we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Ivins City, Utah in a separate letter dated January 25, 2006.

This report is intended solely for the information and use of the management of Ivins City, Utah, and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.



WILSON & COMPANY

Certified Public Accountants

Cedar City, Utah

January 20, 2006

# *Wilson & Company*

Certified Public Accountants / A Professional Corporation

## **IVINS CITY, UTAH AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS For the Year Ended June 30, 2005**

The Honorable City Council  
Ivins City, Utah

We have audited the general purpose financial statements of Ivins City, Utah, for the year ended June 30, 2005 and have issued our report thereon dated January 20, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation  
Liquor Law Enforcement  
Other Compliance Requirements

B&C Road Funds  
Impact Fees  
Uniform Building Code Standards

The management of Ivins City, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the City's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

Ivins City, Utah  
Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Ivins City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.



WILSON & COMPANY  
Certified Public Accountants

Cedar City, Utah  
January 20, 2006

# *Wilson & Company*

Certified Public Accountants / A Professional Corporation

January 25, 2006

Honorable Mayor and City Council  
Ivins City, Utah

We have examined the financial statements of Ivins City for the year ended June 30, 2005, and have issued our report thereon dated January 20, 2006. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Ivins City is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Ivins City taken as a whole. However, our study and evaluation disclosed the following conditions that we believe require the City's further attention.

## Combined PTIF General ledger Accounts

We noted in our exam that PTIF accounts #0290 and #2313 are combined into one general ledger account.

We suggest that for monitoring purposes, each PTIF account should correspond with its own general ledger account.

Combined Storm Drain and Sewer Fund

We noted that the Storm Drain and Sewer Funds were combined during the year and that the 2004 management letter noted that the Storm Drain Fund had a deficit fund balance of \$41,638 for year ending June 30, 2004.

We suggest that the funds be separated for reporting purposes in order to insure that the City can correctly monitor the operations of both funds clearly and not mask the deficit fund balance in the Storm Drain Fund.

Recording of Bond Principal

We noted during the exam that the City recorded the payment of bond principal in the expenses of the enterprise funds.

Bond principal paid in an enterprise fund should be recorded as a reduction of the liability for outstanding bonds instead of as an expense.

NSF Checks and Delinquent Utility Accounts

We noted that the City has not formalized a policy with regards to individuals that write NSF checks in payment of utility accounts.

We suggest that the City consider placing an individual who writes more than one NSF check on a cash basis only for payment of the account. Doing so will better protect the City and reduce administrative time associated with the handling of NSF checks.

Habitat Funds Checking Account

We noted in our exam that the Habitat Funds checking account at Wells Fargo had minimal activity and that the balance in the account earns minimal interest.

We suggest that this account be closed and that any outstanding balance be held in a PTIF account until disbursement. Doing so would maximize interest earnings to the City and reduce administrative time in tracking and reconciling the account.

Wells Fargo 1994-1 and 1998-1 Assessment Bank Accounts

We noted that the City maintains two accounts at Wells Fargo for the 1994-1 and 1998-1 assessments.

We suggest that the City close these accounts and deposit all assessments received into the general cash account. The assessments are tracked through the general ledger and eliminating the accounts would reduce the administrative time needed to monitor and reconcile the accounts.

### Approval For Write Off of NSF Checks

We noted during the exam that no City Council approval is required to write off an NSF check.

To strengthen controls over NSF checks, we suggest that it be required that the City Council approve the write off of NSF checks and that the Returned Check Clearing account be reconciled monthly.

### Wells Fargo Sweep Account

We noted during our exam that the sweep account arrangement involved a significant amount of cash and that the rate earned is less than the PTIF rate.

We suggest that the City analyze the benefit of having the sweep arrangement. Significant funds, up to \$723,000, were transferred to the sweep account but the rate earned by the sweep account is less than that earned in the PTIF account. We believe the City should have a minimal amount in the checking account and the excess should be maintained in the PTIF account to maximize interest.

### Delinquent Special Assessments

We noted during our exam that SID 1990-1 and SID 1994-1 both have delinquent assessments receivable.

We suggest that the City establish a policy to pursue collection of delinquent accounts versus waiting for the property to sell and then anticipating that a title company will note the lien. The City has options to collect earlier which puts the funds into the City accounts sooner and maximizes earnings. Delinquent accounts in 1990-1 amounted to \$1,660 and in 1994-1 the delinquent accounts totaled \$42,061.

### Impact Fee Report

We noted during the exam of state compliance that the City had not prepared the Impact Fee Activity Report required by Utah Code 11-36-301.

We suggest that the City begin preparing the report which should show the beginning balance of each impact fee by type, collections during the year, and expenditures made during the year, with the remaining balance of each type of impact fee shown clearly. Doing so will allow the City to comply with the law and also will allow for better monitoring of outstanding impact fees.

#### Treasurer's Position Bond

We noted during the exam that the current Treasurer's Position bond of \$401,000 is below the amount required by Utah Code 51-7-15 and Rule 4 of Utah Money Management Council.

We suggest that the position bond be raised to \$500,000 which is the minimum required under the code. Fidelity bonds required under specific bond covenants with a loss payee other than the City are not included in the position bond calculation.

#### Expenditures in Excess of Budget

We noted during our exam that expenditures in general government, legal, building inspection, law enforcement, and community and economic development categories of the general fund exceeded the adopted budget.

We suggest that the City closely monitor budget versus actual expenditures to insure that expenditures do not exceed the budget. If adjustments are required, the City may open the budget before year end and make needed adjustments as allowed by the law.

#### Operating Losses in the Enterprise Funds

We noted during our exam that the Water Fund and the Storm Drain and Sewer Fund both had significant operating losses.

We suggest that the City immediately analyze the operations of these funds and make changes to eliminate the operating losses. It was noted that these funds had operating losses in the previous year also. Continual losses will erode the integrity of the funds and reduce the ability of the City to maintain and replace assets. The elimination of losses may require a rate change, reduction of expenses, or both.

#### Building Permit Fee Surcharge Collections Quarterly Reports

We noted during our exam of state compliance that the City was late in filing all of the Building Permit Fee Surcharge Collections Quarterly Reports except the report for the quarter ending December 31, 2004.

The reports are due by the end of the month following the quarter end and we suggest that the City take steps to insure that the reports are filed in a timely fashion.

#### Customer Deposits Payable

We noted during our audit that the detailed listing of customer deposits payable for utility billings had not been reconciled with the general ledger.

We recommend that a reconciliation be performed.



Due to Other Governmental Agencies

We noted during our audit that amounts collected for regional sewer impact fees were not paid to the required governmental agency as required by inter-local agreements.

We recommend that the City make the required payments on a regular basis.

Fixed Asset Accounting

We noted during our audit that the City's detailed fixed asset reports did not agree with the general ledger. We further noted that the City acquired some fixed assets through intergovernmental grants and that the assets acquired by these grants were not recorded in the City's fixed asset inventory.

We recommend that all grants be coordinated through the City's Finance Director and that all fixed assets acquired both previously and in the future, if any, be added to the City's fixed asset management system. We further recommend that the City's fixed asset management system be reconciled with the general ledger regularly.

The above conditions were considered in determining the nature, timing, and extent of the audit tests applied in our examination of the City's June 30, 2005, financial statements.

Our comments are intended to be constructive in nature. The absence of positive or complimentary comments does not imply that the City operates in an inefficient or ineffective manner. We welcome the opportunity to discuss these conditions in further detail and express our appreciation to the staff for their assistance during the examination.

This report is intended solely for the use of management and the Utah State Auditor and should not be used for any other purpose.

Sincerely,

  
WILSON & COMPANY  
Certified Public Accountants  
Cedar City, Utah

**Ivins City**  
55 N. Main, Ivins, UT 84738  
(435) 628-0606  
ivins.com

February 3, 2006

Wilson and Company  
Scott Wilson  
360 West 200 North  
Cedar City, UT 84720

**RESPONSE TO MANAGEMENT LETTER, ANNUAL AUDIT FYE 6/30/2005**

The following is intended to outline proposed corrective action for each of the items brought to the attention of Ivins City in the Management Letter prepared as part of the audit for fiscal year ending June 30, 2005.

**Combined PTIF General Ledger Accounts**

I have directed our Director of Finance to separate PTIF accounts #0290 and #2313.

**Combined Storm Drain and Sewer Fund**

The operations of each of these funds will be separated and that separation will be reflected in the amended budgets for fiscal year ending June 30, 2006.

**Recording of Bond Principal**

I have directed our Director of Finance to record the bond principal in the enterprise fund as a reduction of the liability for outstanding bonds rather than as an expense.

**NSF Checks and Delinquent Utility Accounts**

I will ask our new Utility Manager to work with our City Attorney to develop a policy, for approval by the City Council, to require an individual who writes more than one NSF check to be put on a cash basis only for payment on the account.

**Habitat Fund Checking Account**

I will direct our new Treasurer to close the Habitat Funds checking account at Wells Fargo and hold the outstanding balance in a PTIF account until disbursement.

**Wells Fargo 1994-1 and 1998-1 Assessment Bank Accounts**

These accounts have been maintained to facilitate the clear segregation of these funds. I will recommend to our new Treasurer that these assessments be tracked through the general ledger and the bank accounts be closed.

**Approval for Write Off of NSF Checks**

I have directed the City Attorney to prepare a written policy for approval by the City Council that will require the City Council to approve the write off of an NSF check. To

date, no NSF check has been written off, but the safeguard policy will be put in place for when the NSF checks need to be written off.

Wells Fargo Sweep Account

I will direct our new Treasurer to maximize the interest earnings of the City by maintaining minimal amounts in the checking account and maximum amounts in the PTIF account.

Delinquent Special Assessments

I have directed our Director of Finance to work with the City Attorney to collect delinquent SID assessments.

Impact Fee Report

I have begun preparation of the Impact Fee Activity Report required by Utah Code 11-36-301 and I will see that the report is kept current.

Treasurer's Position Bond

The position bond has been raised to \$500,000, effective February 17, 2006.

Expenditures in Excess of Budget

I will work with all departments in the City to assure that general fund expenditures do not exceed the adopted budget. I will closely monitor the budget versus actual expenditures and recommend appropriate adjustments to the City Council.

Operating Losses in the Enterprise Funds

We are currently under contract to review and revise the Capital Facilities Plans for water, sewer, storm drain, and secondary water. The plans will be completed in approximately 5 months and we will then revise not only impact fees, but user fees also, to assure that all enterprise funds are operating with sufficient operating revenues.

Building Permit Fee Surcharge Collections Quarterly Reports

I have directed our Director of Finance to file the Building Permit Fee Surcharge Collections Quarterly Reports by the end of the month following the quarter end.

Customer Deposits Payable

I have directed our Director of Finance to work with our new Treasurer to reconcile the detailed listing of customer deposits payable for utility billings with the general ledger.

Due to Other Government Agencies

Our Director of Finance is currently working with the St. George City Finance Director and our City Attorney to determine the amounts due to St. George for the Regional Sewer Facility.

Fixed Asset Accounting

We are in the process of adding a new Treasurer to our staff to give our Director of Finance more time to be spent on the management of fixed assets. I have directed the

Director of Finance to reconcile the fixed asset management system with the general ledger regularly. In addition, I have assigned the coordination of all grants to our Director of Finance.

Thank you for your excellent audit and your constructive comments. I appreciate your thorough audit and will work diligently toward total compliance with all requirements and suggestions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Judy Gubler".

Judy Gubler  
City Manager